

Approved For Release 2010/06/14 : CIA-RDP89-00066R000200120005-5

• Provide CIA management a retirement

work-force management tools to support achievement of CIA mission-related objectives through;

- (a) Maintenance of a young and vigorous work-force
- (b) Contributing, as part of the total employee compensation package, to our efforts to recruit and retain employees for a full career.
- (c) Retention of the Director's management flexibility as now exists in the CIARDS and extend this flexibility to all CIA employees.
- (d) Assure protection of the identities & security of all CIA employees.
- (e) Specifically reward overseas service, especially a career with extensive service abroad.

*D/Pers Retirement Program needs.
what?*

Comparative Analysis
Senator Stevens' Proposed Civil Service Pension System (CSPS) VS CIA's Retirement Requirements
Primary Provisions

ATTACH

CIA's Retirement Program Needs-1980 & Beyond
Objectives of CIA System

Proposed Civil Service Pension
Reform Act of 1985

(Sen. Ted Stevens, R. Alaska)
Stated Objectives of the CSPS

- ° Provide federal employees with a retirement benefits plan which is comparable to good private sector retirement benefits plans;
- ° To provide financial stability & flexibility for the future of each federal employee;
- ° To ensure a fully funded & financially sound Federal retirement benefit plan;
- ° To enhance portability of retirement assets between Federal jobs & jobs outside the Federal Government
- ° To increase the options of each Federal employee with respect to retirement benefit plans;
- ° To encourage Federal employees to increase personal savings;
- ° To include Federal employees in the investment decision making process with respect to the assets of the retirement system;
- ° To extend financial protection from disability to additional Federal employees and to increase such protection for eligible Federal employees.

The objectives of the CIA system, designed to support achievement of CIA's mission objectives are:

- ° Support the maintenance of a young and vigorous work force.
- ° Contribute to the recruitment and retention of employees for relatively short but full careers and provide for timely retirement of individuals when deemed necessary in the best interests of serving the needs of the Agency.
- ° Provide managerial flexibility in control and utility of the work force through establishing predictability of projected patterns of future retirement and permitting definitive planning for employee development, progression and replacement.
- ° Provide early retirement inducements keeping the employee cadre dynamic by permitting timely movement through the professional ranks and meeting reduced personnel ceilings when required.
- ° Provide maximum security protection of the identities, numbers and other information on security-sensitive employees and intelligence methods and sources.
- ° Provide for reasonable employee contribution costs and due recognition through preferred benefit rates for overseas service especially for employees with extensive service abroad.
- ° Establish reasonable cost to government at levels sufficient to sustain the type of system required to maintain the characteristics of the work force needed to accomplish mission requirements.

Comments

- ° The stated objectives of Sen. Stevens' proposal are typically consistent with other pension plans that place primary emphasis on employee pension benefits as the objective of the system rather than use of the system to an organization as a management tool.
- ° The stated purposes coupled with the funding/financing design and provisions contained in the total proposal are focused on reducing the cost to government relative to post employment annuity income.
- ° The deficiencies of the plan in terms of CIA's needs as reflected in the Agency's system objectives are demonstrated in that the effect of this proposal, if enacted, would influence employees with longer service to remain on board into advanced age in order to draw full benefits. On the other hand, younger to mid-level employees, trained at considerable government expense, would be encouraged to leave the service short of a full career through the "enhanced portability of their retirement assets" to the more lucrative private sector.
- ° Sen. Stevens' plan, appropriately categorized in its title as a "pension" plan rather than a retirement system, is not compatible with CIA's needs for a viable management "sub-system" and would be counter-productive in meeting CIA's requirements.

Proposed Civil Service Pension
Reform Act of 1985
(Senator Ted Stevens, R. Alaska)
Employees to be Covered Under the
New Civil Service Pension System (CSPS)

- ° Federal employees hired on or after 1 Jan 84 and subject to Social Security. (Some specific exclusions include justices, judges, certain Court & Legislative Branch employees, student employees, etc.). Provides special provisions for law enforcement officers, fire fighters and air traffic controllers.
- ° Would include new CIA Civil Service employees under standard provisions of the CSPS.

Employees to be Covered Under Agency
System

- ° Most effective coverage for CIA would be a single DCI administered plan covering all pre-1984 and post-1983 CIA employees with sets of provisions covering each category of employees (i.e., CIARDS and non-CIARDS).
- If above not attainable now, a single plan under DCI administration to cover all employees hired on or after 1 January 1984 with sets of provisions covering non-CIARDS and future CIARDS employees would be step in direction of an overall single plan.

Comments

- ° The Stevens' Plan would put all new CIA Civil Service type employees under the new OPM administered CSP System and subject to the standard provisions of the Government-wide Plan. The provisions proposed in the CSPS are not compatible with CIA's unique managerial and security needs as applicable to CIA's Civil Service type employees, particularly those who are assigned abroad and serving qualifying time for future CIARDS participation.

Proposed Civil Service Pension Reform
Act of 1985
(Sen. T. Stevens, R-Alaska)

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1980s & Beyond

[The proposed Civil Service Pension System (CSPS) consists of civil service benefits (basic plan), tax-deferred investment options & social security.]

Basic Plan

Optional Retirement Eligibility

- Age 55 w/30 years service
- Age 62 w/10 years service (Benefits reduced 1/6 th of 1% for each full month under age 62.
- Age 55 w/25 years service (No reduction for law enforcement officers, fire fighters, air traffic controllers

Accrual Rate

- Product of 0.85% of average pay (Hi-5 consecutive years) multiplied by the number of total years of service. Annuity supplemental provided for under age 62 for law enforcement officers, fire fighters & air traffic controllers.

COLA

- Annual consumer price index increase minus 2 percentage points.

Basic Plan

- Age 55 w/30 years service
- Age 60 w/20 years service
- Age 62 w/5 years service (For all non-CIARDS type members) (Non-reduced benefits)
- Age 50 w/20 years service (For CIARDS type members) (Non-reduced benefits)

- 2 1/2% for all qualifying years of service by both CIARDS & non-CIARDS type members
- 2% for all other years of service by CIARDS type members.
- Current CSRS formula (1.5%, 1.75%, 2%) for all other years of service by non-CIARDS type members.

- The optional retirement eligibility provisions needed for CIA help the Agency maintain a young & vigorous work force required by the nature of the intelligence mission & allow the Director certain management flexibilities as now exist under CIARDS and CSRS.
- Application of CSRS accrual schedule within CIA would add 12 years to what is now CIARDS retirement w/o reduction & 7 years to what is now CSRS. In effect, the average retirement ages for both clandestine operational and other categories of personnel would raise in excess of age 62 from the current average ages of 54.1 & 58.1 years respectively.
- CSPS proposed accrual rate of 0.85% would produce less than half the replacement income provided for in current CIA Retirement System.
- CIA Retirement Systems should specifically reward all employees for dangerous & stressful service especially extensive service abroad.
- Although future COLAs as proposed under CSPS would be less, they are not considered detrimental to managerial aims. However, may become negative factor for employee toward end of career.

Mandatory Retirement	<ul style="list-style-type: none">◦ No mandatory retirement	<ul style="list-style-type: none">◦ Age 60-special CIARDS type members.◦ Age 65-SIS-4 & above.◦ None non-CIARDS type members.	<ul style="list-style-type: none">◦ Mandatory retirement provision of age 60 for CIARDS type members, is key to an orderly flow of clandestine operational personnel through their careers to retirement.◦ Allows management to project future staffing needs, promotion & assignment opportunities & timely personnel selection & career progression through the system.◦ Without the mandatory age provisions, this type of managerial planning execution be would greatly weakened.
Involuntary Retirement	<ul style="list-style-type: none">◦ Any age w/25 years service◦ At least age 50 w/20 years (Benefits reduced 1/6 th of 1% for each full month under 62.	<ul style="list-style-type: none">◦ Any age w/25 years service◦ At least age 50 w/20 years service (Benefits reduced 2% for each year under age 55 for non-CIARDS type members.) (Benefits not reduced for CIARDS type members)	
Annuity Computation Base	<ul style="list-style-type: none">◦ High-5 average salary	<ul style="list-style-type: none">◦ Hi-5 average salary (Assumes similar reductions in Benefits for all government employees)	
Employee	<ul style="list-style-type: none">◦ None	<ul style="list-style-type: none">◦ 9% basic pay-pre-1984 members & special participant members)◦ 5.7% social security3.5% basic plan-post 1983 members and special participant members◦ Once social security maximum contribution reached in a year (in 1985 5.7% of first \$39.600 basic pay), 5.7% of amounts over maximum base go to basic plan.	

Proposed Civil Service
Pension Reform Act of 1985 Approved For Release 2010/06/14 : CIA-RDP89-00066R000200120005-5
(Senator Ted Stevens, R-Alaska)

Needs - 1980s and Beyond

Comments

Pre-Retirement Benefits:

- ° Payable immediately if deceased had at least 12 months service.
- ° Survivor gets higher of
 - 50% of accrued annuity (computed as if the worker had retired the day before death, with any applicable early retirement reductions but without reduction for survivor benefits) plus any social security payable
 - or
 - 30% of worker's high-five average salary minus any Social Security payable.
- ° Annuity to surviving spouse and children.
- ° Eligible after 18 months service.

Post-Retirement Survivor Benefits:

- Annuity to married retiree automatically reduced actuarially as in a 50% joint-and-survivor plan to provide a spouse survivor annuity - waived with consent of spouse.
- ° Survivors age 60 or over with no children under age 16 get 50% of the unreduced annuity (except for early retirement reduction)/plus any Social Security payable.
 - ° Survivors under age 60 with no children of the retiree under age 16 get the full annuity that was payable to the retiree (after reductions for early retirement and survivor benefits) until age 60, when they will get 50% of the accrued annuity after early retirement reductions.
 - ° Post-1983 employees survivors also eligible for Social Security survivor benefits must make election as to source of benefits.

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<u>Proposed Civil Service Pension Reform Act of 1985 (Senator Ted Stevens, R-Alaska)</u>	<u>CIA Retirement Program Needs - 1980s and Beyond</u>	<u>Comments</u>
<ul style="list-style-type: none">° Survivors under age 60 with child(ren) of the retiree under age 16 get 50% of the unreduced annuity/plus any Social Security.		
Survivors benefits to widows and widowers cease if they remarry before age 55 (this reflects the provision in the new Civil Service Retirement Spouse Equity Act of 1984).		
Child survivor benefits: none from plan, Social Security only.		

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Proposed Civil Service
Pension Reform Act of 1985
(Senator Ted Stevens, R-Alaska)

Disability
Benefits

- 18 months for Vesting
- If eligible for Social Security:
 - From onset of disability to age 62, 60% of high 5 minus 100% of Social Security benefit.
 - After age 62 accrued benefit based on actual service plus projected service through age 62. Must have 10 years of actual and projected service.
- If ineligible for Social Security:
 - Definition tightened resulting in placement of disabled employee in any job in commuting area for which qualified within 2 grades of current position.
 - 1st year - 60% of high 5
 - After 1st year - 30% of high 5 or accrued benefit based on projected service through age 62, whichever is lower.
 - After age 62 accrued benefit based on actual service plus projected service through age 62. Must have 10 years of actual and projected service.

CIA Retirement Program
Needs - 1980s and Beyond

Comment

- SIARPS
 - Eligible after 5 years of service. Retirees under age 60 w/less than 20 years will have current annuity computed on assumption that he/she had 20 years service but additional credit shall in no case exceed the difference between his/her age at time of retirement and age 60.
 - Employees also eligible for Social Security disability benefits must make election as to source of benefits.
- CSRS
 - Eligible after 5 years of service. Guaranteed minimum of lesser of 40% of high 5 salary or computed annuity to projected age 60.
 - Post-1983 employees also eligible for Social Security disability benefits must make election as to source of benefits.

Proposed Civil Service
Pension Reform Act of 1985
(Senator Ted Stevens, R-Alaska)

CIA Retirement Program
Needs - 1980s and Beyond

Comments

Funding - Basic Plan

Funding - Basic Plan

Combined Fund

Combined Fund

- The CSPA funds will be integrated with the existing Civil Service Retirement and Disability Fund.

- Integration of the Agency's retirement and disability systems funds into a single CIA administered fund.

Employee Contribution

Employee Contribution

- none

- Mandatory at percentage rates equivalent to:
7%** for pre-1984 employees
1.3%** for post-1983 employees

Government Contributions

Government Contributions

- Employing agency shall contribute an amount equal to the normal cost of an annuity for each participant.
- These contributions shall be made from the appropriation or fund used to pay the participant. Any supplemental liabilities needed to pay benefits will be provided out of monies in the Treasury of the United States not otherwise appropriated.

- same as CSPA

- The CSPA funding/financing proposal differs from CIA's needs in terms of no employee contributions required for the Basic Defined Annuity Plan. The "no employee" contribution is based upon the low annuity accrual rate (i.e., .85% v high-5 average salary X total years of service) that will produce a very low annuity from the Basic Defined Benefit Plan. The Stevens' proposal places heavy emphasis on Social Security and long-term substantial Thrift Plan participation to produce primary source of non-reduced annuity benefits at age 62.
- The CIA's managerial requirements for the Agency's retirement system to effectively meet organizational objectives requires primary emphasis on the Basic Defined Benefit Plan with a secondary role of Social Security and some augmentation of retirement income from a Thrift Plan.
- Under these circumstances a reasonable employee contribution for cost of the system is proposed.

**9% if established at that level for all pre-1984 Government employees and basic 3.3% for post-1983 employees plus 5.7% over maximum Social Security taxable base (\$39,600 in 1985) when applicable.

#257

Proposed Civil Service Pension
Reform Act of 1985

~~Sen. Stevens, R-Alaska~~
Thrift Savings Plan

CIA Retirement Program
Needs-1980 & Beyond

Comments

Contributions:

- ° Employee may contribute any amount not exceeding 10% of annual rate of basic pay.
- ° Employing ^{Agency} matches amounts at equal to twice such portion contributed by employee as does not exceed 4% of gross pay.

Contributions:

- ° Up to 15% of basic pay with CIA matching \$.50 for each \$1. up to 6% of basic pay.

For the past several years the Agency's experience with its internal Voluntary Investment Plan (an IRS qualified pension plan) as an annuity augmentation program has shown its benefit for employees. The VIP as constituted does not offer 401(k) type provisions nor are there employer contributions allowed. The conversion of the VIP to a 401(k) type plan with partial government contributions is attractive in terms of providing additional strength to the overall retirement program.

Tax Deferral

- ° Amounts contributed by employees and matching employing Agency shall not be included in gross income of employees for purposes of IRS Code of 1954

Tax Deferral

- ° Similar tax deferral would be highly desirable.

<u>Sen Stevens Proposal</u> <u>Funding-Thrift Plan (401k Type)</u>	<u>CIA Requirements</u> <u>Funding-Thrift Plan (401k Type)</u>	<u>Comments</u>
<ul style="list-style-type: none">◦ <u>Separate Fund</u> We will be a Thrift Savings Fund established separately from the CSRS/ CSPA retirement trust fund.◦ <u>Employee Contributions</u> Voluntary contributions up to 10% of annual rate of basic pay.◦ <u>Government Contributions</u> Matching amounts equal to twice such portion of the amount of the participant contribution as does not exceed 4% of gross pay. Government financing source will be appropriations the OR funds available to the Agency for payments of basic pay.◦ <u>Tax Status of Contributions</u> Amounts of both employer and employee contributions shall not be included in gross income of participant for income tax purposes.	<ul style="list-style-type: none">◦ <u>Separate Fund</u> Convert current V.I.P. to a 401k type capital accumulation plan administered within the CIA. Maintain fund separate from retirement system trust funds.◦ <u>Employee Contributions</u> Voluntary contributions up to 15% of annual rate of basic pay.◦ <u>Government Contributions</u> Matching amounts of \$.50 for \$1. up to 6% of participant's basic pay.◦ <u>Tax Status</u> Same as CSPA	<ul style="list-style-type: none">◦ Establishment of a 401k type savings plan to augment annuity benefits produced by the Basic deferred benefits plan would be beneficial addition for both participants and the Agency.

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CIA Retirement Program Needs-1980 & Beyond

Proposed Civil Service Pension
Reform Act of 1985
(Sen. Ted Stevens, R. Alaska)
Thrift Savings Plan

Comments

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For the past several years the Agency's experience with its internal Voluntary Investment Plan (an IRS qualified pension plan) as an annuity augmentation program has shown its benefit for employees. The VIP as constituted does not offer 401(k) type provisions nor are there employer contributions allowed. The conversion of the VIP to a 401(k) type plan with partial government contributions is attractive in terms of providing additional strength to the overall retirement program.

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Typical Service of Entry Operations Officers BeforeQualifying for CIARDS Participation

Case #1	Initial Assignment Hqs.	1 year
	First Overseas Tour	3 years
	Hqs. Assignment	1 year
	Second Overseas Tour	<u>2 years</u>
		7 years
Case #2	Initial Assignment Hqs.	2 years
	First Overseas Tour	2 years
	Hqs. Assignment	1 year
	Second Overseas Tour	2 years
	Hqs. Assignment	1 year
	Third Overseas Tour	1 year (out of 2 or 3 year tour)
		<u>9 years</u>
Case #3	Initial Assignment Hqs.	1 year
	First Overseas Tour	2 years
	Hqs. Assignment	1 year
	Second Overseas Tour	2 years
	Hqs. Assignment	1 year
	Third Overseas Tour	<u>1 year</u> (1 out of 2 or 3 year tour)
		8 years

SPECIAL RETIREMENT PROVISIONS
UNDER CSRS (PRE-1984)

ATTACH

<u>Group</u>	<u>Employee Contribution</u>	<u>Accrual Rate</u>	<u>Early Retirement Eligibility</u>	<u>Mandatory Retirement</u>	<u>Rationale</u>
Members of Congress	8%	2.5% Hi-3 x years of Congress service & military service plus 1.75% Hi-3 x years of non-long for mil. serv. which added to 2.5% years of service do not exceed 10 years & 2% of Hi-3 x other years of service	55 w/30; any age w/25 years; at 50 w/at least 9 terms in Congress & 20 years of total Federal service.	None	Short-Tenure
Congressional Staff	7.1/2%	Same As Above	Same As Above	None	Short Tenure
Foreign Service (Hate, USIA & AID)	7%	2%	50 w/20	Age 65	Hazardous & Unhealthy Conditions/OS
Protective Service (Law Enforcement, Fire Fighters)	7%	2 1/2% x 20 years plus 2% for years over 20 years	50 w/20 (Law Enforcement or Fire Fighters)	55 w/20 years of Law Enforcement or Fire Fighter service	Hazardous Employment
Air Traffic Controllers	7%	Reg CSRS formula but guaranteed 50% of Hi-3	50 w/20 as Air Con 25 years any age as Air Controller	Last day of a month in which becomes 56	Stress Short Tenure
CSRS	7%	1 1/2% 1st 5 years 1 3/4% as exceeds 5 years but not 10 years 2% over 10 years	55/30	None	
CIARDS	7%	2%	50/20	60	Hazardous Stressful Short Tenure